

Company Registration No. SC456413 (Scotland)

AFIMILK HOLDINGS UK LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017



AFIMILK HOLDINGS UK LIMITED

COMPANY INFORMATION

Directors	Yuval Sovinsky
Company number	SC456413
Registered office	Suite 435 Baltic Chambers 50 Wellington Street GLASGOW G2 6HJ
Accountants	Johnston Carmichael LLP 227 West George Street GLASGOW G2 2ND
Auditor	Armstrong Watson Audit Limited 1 st Floor Blythswood Square Glasgow G2 4BG

AFIMILK HOLDINGS UK LIMITED

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AFIMILK HOLDINGS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and financial statements for the year ended 31 December 2017.

Results and Dividends

The results for the year are set out on page 5. The director does not recommend a dividend (2016: £nil).

Principal activities

The principal activity of the company is that of a holding company.

Directors

The following directors have held office since 1 January 2017:

Tsipi Kagan

(Resigned 31 May 2017)

Yuval Sovinsky

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditors

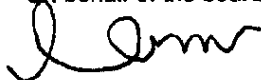
Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The company qualifies as a small company in accordance with Sections 381 - 382 of the Companies Act 2006 (the "Act") and the directors' report has therefore been prepared taking into account the provisions of paragraph 15 of the Act.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the board



Yuval Sovinsky 31.1.19

Director

AFIMILK HOLDINGS UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFIMILK HOLDINGS UK LIMITED

We have audited the financial statements of Afimilk Holdings UK Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017, and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report¹, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

AFIMILK HOLDINGS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AFIMILK HOLDINGS UK LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the [strategic report and the]⁴ directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement [set out on page ...], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AFIMILK HOLDINGS UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF AFIMILK HOLDINGS UK LIMITED

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

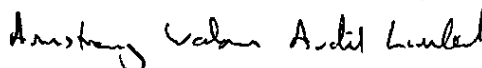
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

James Lockhart (Senior Statutory Auditor)

For and on behalf of
Armstrong Watson Audit Limited



24 Blythswood Square,
Glasgow,
G2 4BG

31 January 2019

AFIMILK HOLDINGS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Administrative expenses		(74,625)	(24,836)
Other operating income	16	-	3,000
Loss on ordinary activities before taxation	2	(74,625)	(21,836)
Tax on loss on ordinary activities	3	-	-
Loss and Comprehensive Loss for the year	10	(74,625)	(21,836)

There are no gains or losses recognised in the statement of other comprehensive income.

AFIMILK HOLDINGS UK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Intangible assets	4	189,000		259,113	
Investments	5	1,799,800		1,799,800	
		<u>1,988,800</u>		<u>2,058,913</u>	
Current assets					
Debtors	6	35,814	37,223		
Cash at bank and in hand		134	237		
		<u>35,948</u>	<u>37,460</u>		
Creditors: amounts falling due within one year	7	<u>(361,720)</u>	<u>(358,720)</u>		
Net current liabilities		<u>(325,772)</u>		<u>(321,260)</u>	
Total assets less current liabilities		<u>1,663,028</u>		<u>1,737,653</u>	
Capital and reserves					
Called up share capital	9	22,322		22,322	
Share premium account		3,547,732		3,547,732	
Other reserves	10	1,798,100		1,798,100	
Retained earnings	10	(3,705,126)		(3,630,501)	
Shareholders' funds		<u>1,663,028</u>		<u>1,737,653</u>	

The financial statements were approved by the Board of Directors and authorised for issue on

Signed on its behalf by:



Yuval Sovinsky 31.1.19
Director

Company Registration No. SC456413

AFIMILK HOLDINGS UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Other reserves	Retained earnings	Total
	£	£	£	£	£
Balance at 1 January 2016	20,443	3,547,732	1,798,100	(3,608,665)	1,757,610
Shares issued in the period	1,879	-	-	-	1,879
Total comprehensive loss for the year	-	-	-	(21,836)	(21,836)
Balance at 31 December 2016	22,322	3,547,732	1,798,100	(3,630,501)	1,737,653
Total comprehensive loss for the year	-	-	-	(74,625)	(74,625)
Balance at 31 December 2017	22,322	3,547,732	1,798,100	(3,705,126)	(1,663,028)

AFIMILK HOLDINGS UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	£	£
Cash flow from operating activities		
Loss for the year	(74,625)	(21,836)
Amortisation	70,113	55,887
(Increase)/decrease in debtors	1,409	(30,103)
Increase(decrease) in creditors	3,000	(123,427)
Net cash flow used in operating activities	(103)	(119,479)
Investing activities		
Purchase of intangible assets	-	(315,000)
Net cash used in investing activities	-	(315,000)
Financing activities		
Receipt of intercompany finance	-	356,970
Cash from share issue	-	1,879
Net cash inflow from financing activities	-	358,849
Net (decrease)/increase in cash and cash equivalents	(103)	(75,630)
Cash and cash equivalents at beginning of year	237	75,867
Cash and cash equivalents at end of year	134	237

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union. The functional and presentational currency of the company is Sterling.

Going concern

Afimilk Agricultural Cooperative Limited, the Immediate parent company, has confirmed that, for at least twelve months from the date of signing the accounts, it will make available such funds as are needed by Afimilk Holdings UK Limited to meet its liabilities as they fall due.

In addition, Afimilk Agricultural Cooperative Limited will not seek repayment of any amounts currently due to Afimilk Agricultural Cooperative Limited if this would prevent Afimilk Holdings UK Limited from meeting its third party obligations as they fall due.

1.2 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their remaining estimated useful lives of five years.

1.3 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.4 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

1.5 Government Grants

Short term grants towards revenue expenditure are released to the statement of comprehensive income when the relevant cost has been incurred and the grant has been claimed and received against that cost.

For projects of a long term nature with multiple deliverables and subject to independent audit, all grant receipts are deferred until all the deliverables have been met and the audit completed.

1.6 Impairment of intangible assets

At each year end date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The resulting calculations under IFRS 13 affected the principles that the company uses to assess the fair value, but the assessment of fair value under IFRS 13 has not materially changed the fair values recognised or disclosed. IFRS 13 mainly impacts the disclosures of the company. It requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.9 Other operating income

Other operating income represents management fees from Afimilk UK Limited. Management fees are recognised when the service has been provided.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Amortised cost is defined as the amount on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1.11 Financial liabilities (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1.13 Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Impairment of intangible assets

At each reporting end date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Value in use is determined by discounting the future cash flows generated from the continuing use of the asset. The key assumptions are made by management reflecting past experience combined with their knowledge as to future performance and relevant external sources of information. They are:

- inflation rates;
- discount rate;
- royalty rates; and
- asset replacement profile.

1.14 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments – will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial assets.

Effective for accounting periods commencing on or after 1 January 2018.

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

IFRS 15 Revenue from Contracts with Customers – is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. This supersedes IAS 18 Revenue and the core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services.

Effective for accounting periods commencing on or after 1 January 2018.

IFRS 16 IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 applies to all leases and will require lessees to recognise a right-of-use asset and corresponding lease liability.

Effective for accounting periods commencing on or after 1 January 2019.

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the financial statements in the period of initial application and have decided not to adopt early.

2	Operating loss	2017	2016
		£	£
	Operating loss is stated after charging:		
	Amortisation of intangible assets	70,113	55,887
	Auditor's remuneration	3,000	4,000
3	Income tax expense	2017	2016
		£	£
	Corporation tax		
	Current year	-	-
	Adjustments in respect of prior periods	-	-
		-	-
	Deferred tax		
	Origination and reversal of temporary differences	-	-
	Adjustment in respect of prior periods	-	-
		-	-
	Total tax charge	-	-

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

3 Income tax expense (continued)

Reductions in the UK corporation tax to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. The rate was further reduced to 19% (effective 1 April 2017) and will reduce to 18% (effective from 1 April 2020), as enacted on 18 November 2015. This will reduce the company's future current tax charge accordingly.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2017 £	2016 £
Loss before taxation on continued operations	(74,625)	(21,836)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.25% (2016 – 20%)	(14,365)	(4,367)
Taxation impact of factors affecting tax charge:		
Expenses not deductible in determining taxable profit	13,497	8,582
Adjustments to deferred tax for tax rate change	-	(519)
Deferred tax not recognised	-	(3,696)
Tax losses carried forward	868	-
Total adjustments	14,365	(4,367)
Tax charge for the year	-	-

4 Intangible assets

	Patents £
Cost	
At 1 January 2017	315,000
Additions in the year	-
At 31 December 2017	315,000
Amortisation	
At 1 January 2016	-
Charge for the year	55,887
At 1 January 2017	55,887
Charge for the year	70,113
At 31 December 2017	126,000
Carrying amount	
At 31 December 2017	189,000
At 31 December 2016	259,113

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Fixed asset investments

	Shares in group undertakings and participating interests £	Loans to group undertakings and participating interests £	Total £
Cost			
At 1 January 2016	1,799,800	3,375,248	5,175,048
Additions	-	-	-
At 31 December 2016	1,799,800	3,375,248	5,175,048
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	1,799,800	3,375,248	5,175,048
Provisions for diminution in value			
At 1 January 2016	-	3,375,248	3,375,248
Charge for the year	-	-	-
At 31 December 2016	-	3,375,248	3,375,248
Charge for the year	-	-	-
Eliminated on disposal	-	-	-
At 31 December 2017	-	3,375,248	3,375,248
Net book value			
At 31 December 2017	1,799,800	-	1,799,800
At 31 December 2016	1,799,800	-	1,799,800

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Class	Shares held	%
Subsidiary undertakings				
Afimilk UK Limited	Scotland	Ordinary		100.00

AFIMILK HOLDINGS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

5 Fixed asset investments (continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

		Capital and reserves 2017 £	Profit/(loss) for the year 2017 £
Afimilk UK Limited	Principal activity Provision of animal monitoring devices to the farming industry	(5,118,753)	(296,275)

6 Debtors

	2017 £	2016 £
Amounts owed by group undertakings	29,618	29,618
Other debtors	6,196	7,605
	<u>35,814</u>	<u>37,223</u>

The directors consider that the carrying amount of other debtors is approximately equal to their fair value.

No significant debtor balances are impaired at the reporting date.

7 Creditors: amounts falling due within one year

	2017 £	2016 £
Amounts due to group undertaking	356,970	356,970
Other creditors	4,750	1,750
	<u>361,720</u>	<u>358,720</u>

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Share capital	2017 £	2016 £
Allotted, called up and fully paid 2,232,200 ordinary shares of 1p each	22,322	22,322
	<u>22,322</u>	<u>22,322</u>

On December 22, 2016, a written resolution was passed to approve the reclassification of the G1 shares, G2 shares and both the A and B preference shares to be classified as ordinary shares.

On 5 February 2016, the shares and the company issued 187,792 ordinary shares on exercise of stock options for consideration of £1,879.

10 Retained earnings	£
Balance at 1 January 2016	(3,608,665)
Loss for the year	<u>(21,836)</u>
Balance at 31 December 2016	(3,630,501)
Loss for the year	<u>(74,625)</u>
Balance at 31 December 2017	<u>(3,705,126)</u>
Other reserves	
Capital redemption reserve	
Balance at 1 January 2016, 31 December 2016 & at 31 December 2017	<u>100</u>
Merger reserve	
Balance at 1 January 2016, 31 December 2016 & at 31 December 2017	<u>1,798,000</u>

11 Financial instruments – accounting classifications and fair value

Financial assets

Trade and other debtors and cash and cash equivalents are classified as financial assets not measured at fair value. Their carrying value is derived from level 3 inputs, based on unobservable market data.

Excluded from financial assets are prepayments as these assets fall outwith the scope of financial instruments due to the cash element having already been settled.

Financial liabilities

Trade and other creditors are classified as financial liabilities not measured at fair value and, like the financial assets above, have a carrying value derived from level 3 inputs.

The fair value of both financial assets and financial liabilities have been assessed and there is deemed to be no material difference between fair value and carrying value.

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

12 Financial risk management

The company has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk;
- market risk; and
- capital management

Risk management framework

The company's board of directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The company, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The board of directors oversee how management monitors compliance with the company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the company on an ongoing basis.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk of the industry and country in which customers operate.

The company does not require collateral in respect of other debtors. There are no trade debtors.

13 Financial risk management

Cash and cash equivalents

The company held cash and cash equivalents of £144 at 31 December 2017 (2016: £237). The cash and cash equivalents are held with Clydesdale Bank, which are rated A-2 and P-2, based on Standard and Poor and Moody's ratings.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Financial risk management (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest repayments.

Contractual cash flows				
31 December 2017	Carrying amount £	Total £	2 months or less £	2-12 months £
Non-derivative financial liabilities				
Amounts due to group undertaking	356,970	356,970	-	356,970
Other creditors	4,750	4,750	4,750	-
	<u>361,720</u>	<u>361,720</u>	<u>4,750</u>	<u>356,970</u>

Contractual cash flows				
31 December 2016	Carrying amount £	Total £	2 months or less £	2-12 months £
Non-derivative financial liabilities				
Amounts due to group undertaking	356,970	356,970	-	356,970
Other creditors	1,750	1,750	1,750	-
	<u>358,720</u>	<u>358,720</u>	<u>1,750</u>	<u>356,970</u>

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates – will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by the board of directors.

Currency risk and the company's exposure

The company is exposed to currency risk to the extent that there is a fluctuation in foreign exchange rate between the date of the transaction, and the date when amounts are paid. The functional currency of the company's trading subsidiary is sterling, but the subsidiary makes some purchases in Euros and US dollars. There are no balances in other currencies for the company.

AFIMILK HOLDINGS UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

14 Capital risk management

The company is not subject to any externally imposed capital requirements.

For the purpose of the company's capital management, capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to maximise shareholder value.

The company manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of investors. To maintain or adjust the capital structure, the company may adjust the dividend paid to shareholders, return capital to shareholders or issue new shares. The company's policy is to maintain sufficient capital to allow for future investment in growth of the business.

15 Related party relationships and transactions

At 31 December 2017, the company owed £356,970 (2016: £356,970) to Afimilk Agricultural Cooperative Limited, its parent company.

At 31 December 2017, the company was owed £76,000 (2016: £3,404,866) by Afimilk UK Limited. A provision of £46,382 (2016 - £46,382) is recorded against the debtor, meaning the balance due at 31 December 2017 is £29,618. The loan invested of £3,375,248 was provided for in the prior year ended 31 December 2016 (charge of £3,375,248).

During the year, the company received management fees of £Nil (2016: £3,000) from Afimilk UK Limited. At 31 December 2017, the company was owed £Nil (2016: £Nil) by Afimilk UK Limited.

During the year, Albion Ventures LLP, a significant shareholder prior to the acquisition by Afimilk Agricultural Cooperative Limited, charged the company monitoring and arrangement fees totalling £Nil (2016: £17,382). At 31 December 2017, the company was due to pay £Nil (2016: £Nil) to Albion Ventures LLP.

17 Key management compensation

The remuneration of the directors who are key management personnel is paid by the subsidiary company, Afimilk UK Limited and all disclosures have been included in the financial statements of Afimilk UK Limited.